



Liquor Control Commission

Celebrating 60 Years

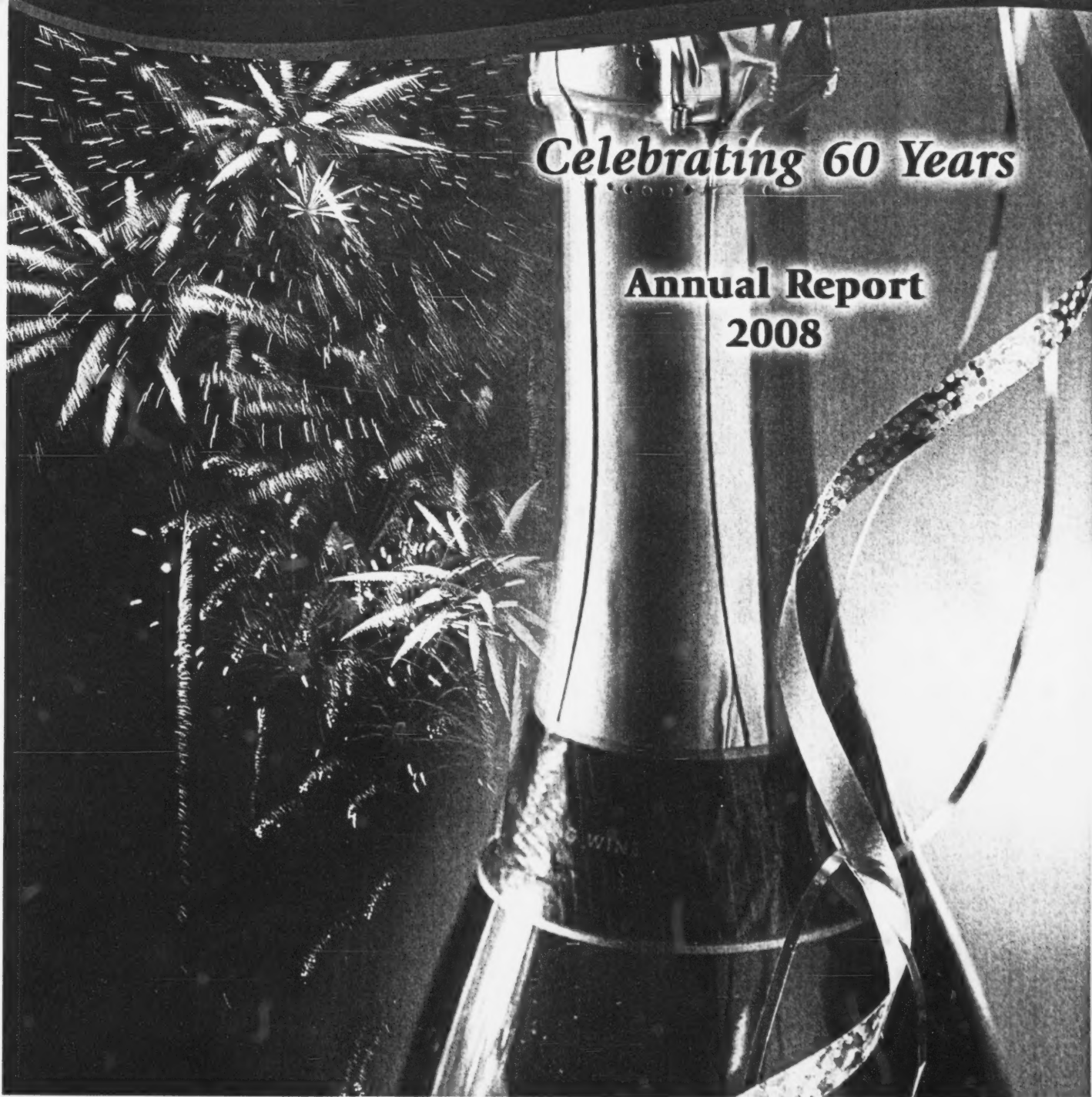
**Annual Report
2008**



Liquor Control Commission

Celebrating 60 Years

**Annual Report
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*Prince Edward Island
Liquor Control Commission
60th Annual Report*

*For the Year Ended
March 31, 2008*

*Photos within this year's annual report feature various
Liquor Control Commission stores and events.*

Photos taken by Multimedia Services, Provincial Treasury



Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We will be the provincial leader in relationships with our partners, customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Mission Statement

The PEI Liquor Control Commission regulates the sale of beveraged alcohol under the authority of the *Liquor Control Act*. It manages the distribution of alcohol by:

- operating in a socially responsible manner;
 - achieving the revenue goals of the Provincial Government;
 - providing suppliers with controlled access to the marketplace on a fair basis from modern, attractive venues;
 - encouraging responsibility and moderation in the consumption of beveraged alcohol; and
 - providing its employees with equality of opportunity and increased training programs that assist in the individual's personal development and in the commission's overall customer service strategy.
-

Corporate Values

- **Moderation** – We promote responsible use as a way of life.
- **Quality Service** – We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.
- **Continuous Improvement** – As a retailer, we welcome change. We are committed to continuous improvement to all our services.
- **Integrity and Fairness** – We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.
- **Importance of People** – We are committed to fostering a positive workplace that builds teamwork and mutual respect and encourages individual development.
- **Focus on Results** – We are committed to getting the job done and improving our productivity levels.

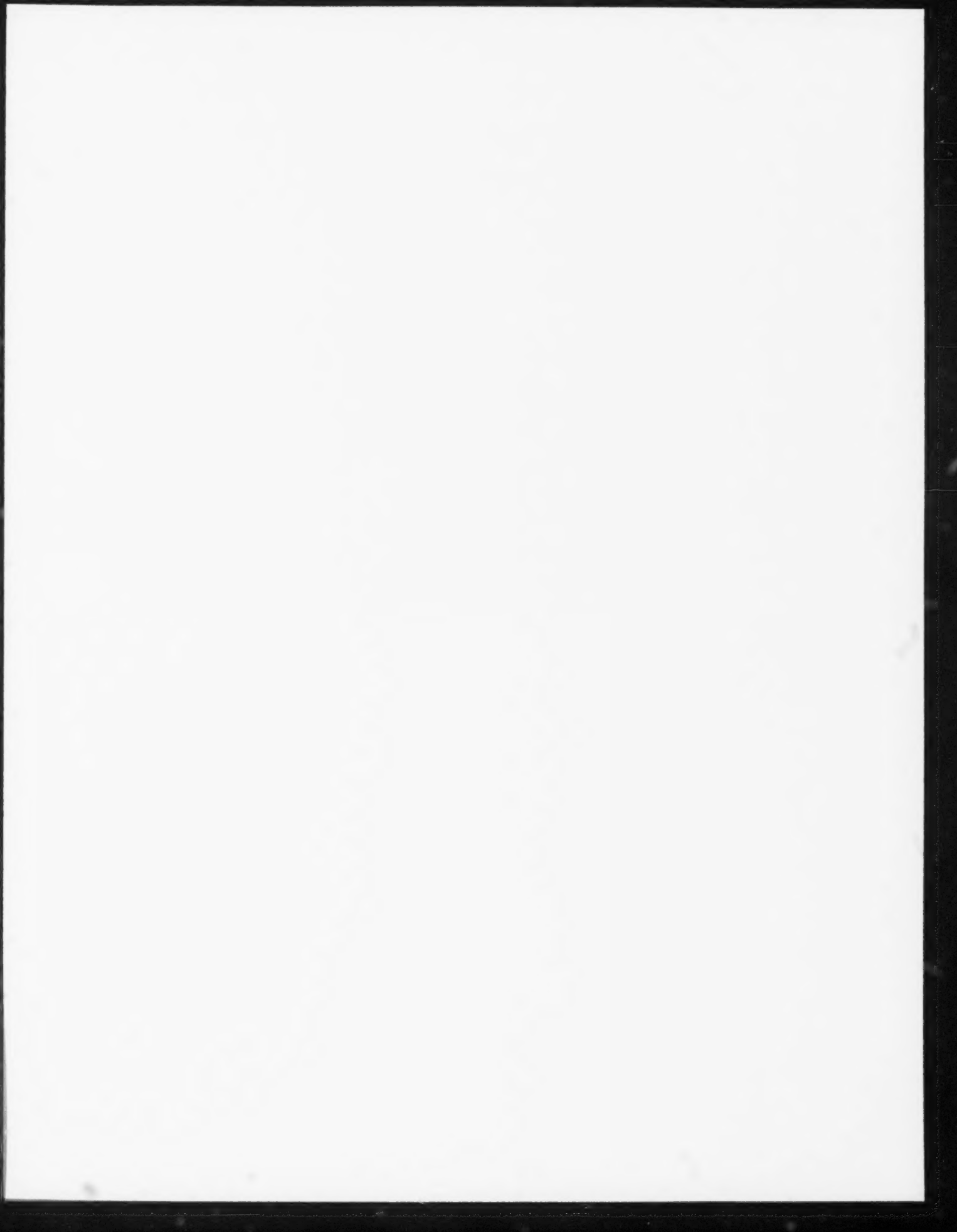


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Message From the Minister

The Honourable Barbara Hagerman
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the PEI *Liquor Control Act* and as Minister designate, it is my privilege to submit the 60th Annual Report of the Prince Edward Island Liquor Control Commission.



Respectfully submitted,

Richard Brown

Richard E. Brown
Minister of Innovation and Advanced Learning
Minister Responsible for the Liquor Control Commission



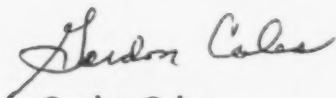
Message From the Chairman

The Honourable Richard E. Brown
Minister of Innovation and Advanced Learning
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 60th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2007, to March 31, 2008.

Respectfully submitted,



Gordon Coles
Chairman



Message From the CEO

Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

It is my pleasure to report that fiscal 2007-2008 represented our 11th consecutive year of record sales and returns to Government and the people of Prince Edward Island. Sales increased by more than \$4.7 million to over \$80 million due to volume growth. Payments to the Province exceeded \$33.9 million and we are pleased to state that the commission continues to be a top revenue generator for the Province. I wish to thank all our staff for their dedication and hard work which enabled the commission to have another successful year.



Our strategic plan has served us well as we continue to invest in people, stores, efficiencies and technologies. As a result of these investments, sales and profitability continue to set record levels.

I want to acknowledge and extend my appreciation to our Board of Commissioners for their ongoing support and guidance. The organization will continue to improve and move forward in the following areas: improved customer service and operational efficiency, enhanced product selection, upgraded and modernized stores, optimized profitability and improved technology.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Wayne A. MacDougall'. The signature is fluid and cursive, written over a light background.

Wayne A. MacDougall
Chief Executive Officer

Management's Report

Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgments and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.



A handwritten signature of Wayne A. MacDougall in dark ink.

Wayne A. MacDougall
Chief Executive Officer



A handwritten signature of Wendy L. MacDonald in dark ink.

Wendy L. MacDonald, CA
Director of Finance and Retail Operations

Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a Crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what, and how to ensure accomplishment and accountability.



Liquor Control Commission Board

*Back row from left: James Dymont, Member; George Mansfield, Vice-Chair; Pam Campbell, Secretary;
Ralph Billard, Member; Joe Richard, Member; Wayne MacDougall, Chief Executive Officer*

Front: Gordon Coles, Chair

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public,
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan,
- approving annual financial plans,
- assessing and managing business risks, and
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Accountable to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at www.peilcc.ca;
- annual audits of the PEILCC's financial statements by the auditor;
- public access to records under the *Freedom of Information and Protection of Privacy Act*; and
- publicly appointed commission members.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honorariums and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibilities for corporate governance, including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders;
- overseeing the management of the business affairs of the PEILCC;
- avoiding conflicts of interest;
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions;
- attending commission meetings and seeking professional advice where necessary;
- providing guidance on policy development; and
- reviewing appeals of denials of listing applications.

Audit Committee

The Audit Committee is composed of three commission members elected annually by the commission. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

Members of the 2007-2008 Audit Committee consisted of George Mansfield – Chair, James Dymont and Joe Richard.

Strategic Planning Committee

The Strategic Planning Committee consists of at least three commission members with the chairman and the CEO as ex-officio members. The purpose of the committee is to review and evaluate the corporate plans and to make any recommendations to the board in relation to those plans that the committee considers appropriate.

Members of the 2007-2008 Strategic Planning Committee consisted of committee chair Joe Richard, Ex-officio members Wayne MacDougall and Gordon Coles, and members James Dymont, Ralph Billard and George Mansfield.

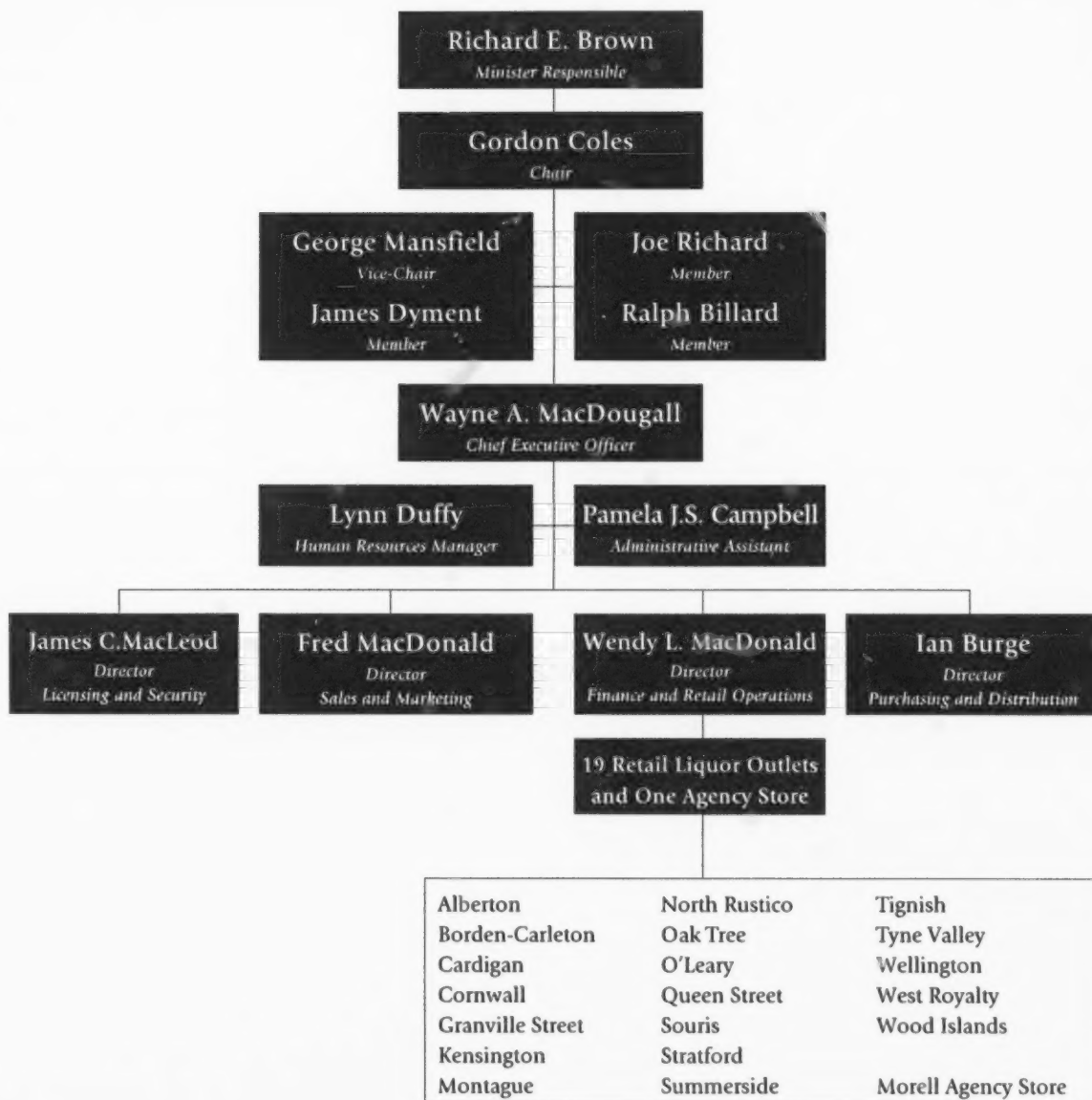


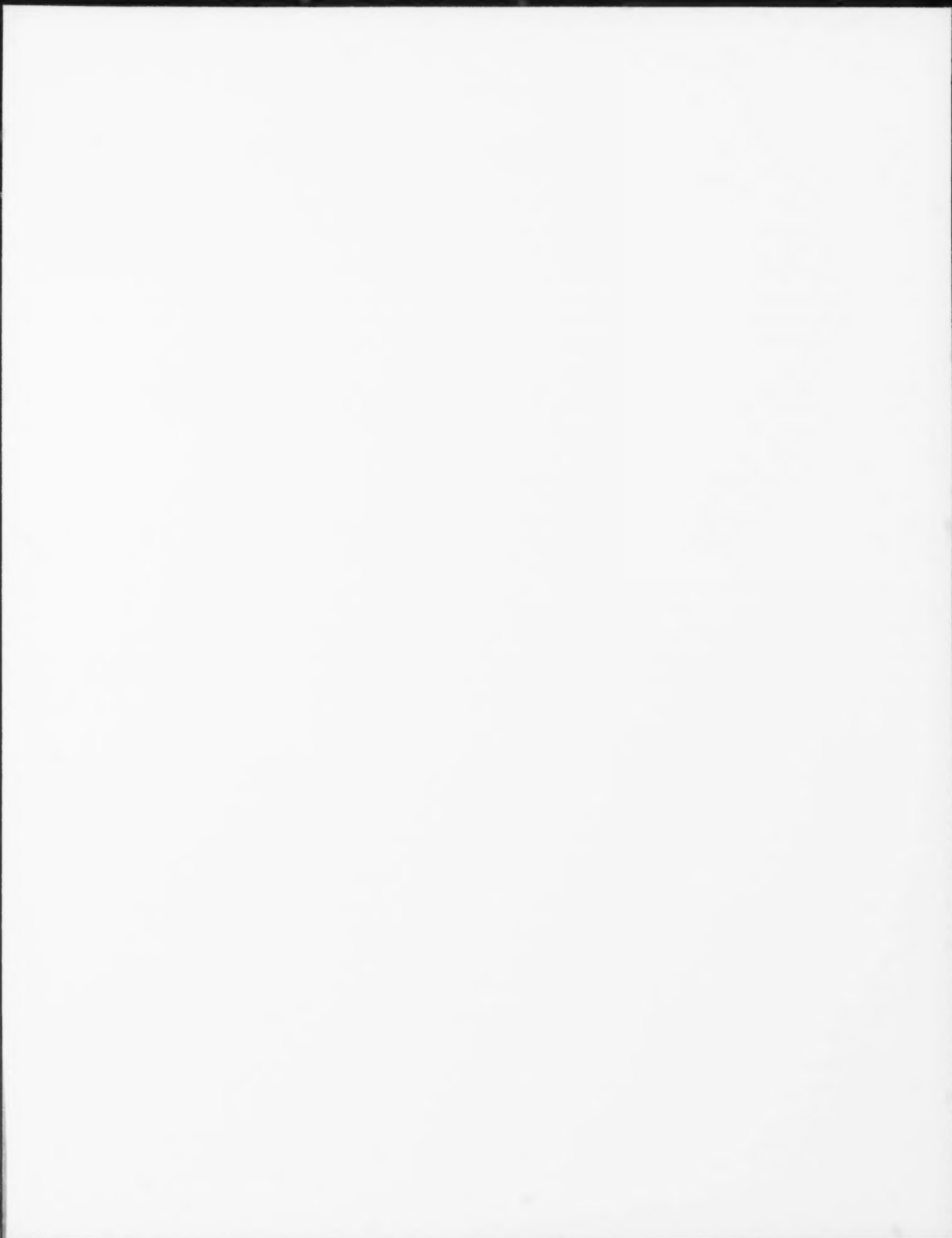
Management Team of the PEI Liquor Control Commission

From left: Ian K. Burge, Director of Purchasing and Distribution; Wendy L. MacDonald, CA, Director of Finance and Retail Operations; James C. MacLeod, Director of Licensing and Security; Fred J. MacDonald, Director of Sales and Marketing; Lynn Duffy, Human Resources Manager

Front: Wayne A. MacDougall, Chief Executive Officer

Organizational Chart





Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a Crown corporation responsible for the administration of the *Liquor Control Act* and Regulations, along with the purchase, control and sale of all beveraged alcohol in the province.

A five-member Board of Commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Innovation and Advanced Learning who is also the Minister Responsible for the *Liquor Control Act*.

The mandate under the *Liquor Control Act* has two primary components: regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for licensing and inspecting all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *Liquor Control Act*.

On the commercial side, the commission is a major force in the provincial economy with sales in excess of \$80 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year's was the greatest transfer ever with more than \$33.9 million forwarded to the Province.

The commission presently operates 19 retail outlets which are all now self-serve in design. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

The commission has a strategic plan which guides the commission in successfully meeting its performance and accountability goals.

In our strategic plan, the commission has focussed on five key areas for measuring our performance:

1. Financial Performance,
2. Customer Service,
3. Business Effectiveness,
4. Public Safety and Social Responsibility, and
5. Workplace Quality and Employee Excellence.

These areas serve as a blueprint for incorporating our Mission Statement into day-to-day activities. While our financial success was our "best ever," we were also successful in meeting most of the strategic goals established for the other four pillars of our strategic plan. These will be explained in more detail in this report.

Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.-P.-É.) est une société de la Couronne responsable de l'administration du *Liquor Control Act* (loi sur le contrôle des alcools) et de ses règlements, ainsi que de l'achat, du contrôle et de la vente de tous les breuvages alcooliques dans la province.

Un conseil des commissaires de cinq membres est responsable des activités de la Régie. La présidence fait rapport au ministre du Innovation et Études supérieures qui est également ministre responsable du *Liquor Control Act*.

Le mandat relevant du *Liquor Control Act* a deux composantes principales, une de réglementation et l'autre commerciale.

La fonction de réglementation est mise à exécution par le service des licences et de la sécurité de la Régie qui est responsable de l'octroi des licences et de l'inspection de tous les débits de boisson et des fonctions rattachées aux permis spéciaux.

Le service enquête également et fait rapport sur toutes les plaintes et décide s'il y a infraction au *Liquor Control Act*.

Du côté commercial, la Régie est un levier important de l'économie de la province avec des ventes dépassant les 80 millions de dollars, ce qui en fait le plus important organisme de vente au détail de l'Île-du-Prince-Édouard.

En termes de transferts monétaires au Trésor provincial, l'Île a connu cette année les meilleurs transferts de son histoire, soit plus de 33.9 millions de dollars.

À l'heure actuelle, la Régie opère dix-neuf (19) points de vente au détail qui ont tous une

conception de libre service. De plus, la Régie opère un entrepôt central et un centre de distribution des licences. Ce dernier est situé à Charlottetown. La Régie a passé un contrat avec le secteur privé pour les activités d'un magasin de franchise à Morell, Î.-P.-É.

La Régie utilise un plan stratégique pour atteindre ses objectifs de performance et d'imputabilité.

Dans son plan stratégique, la Régie concentre ses efforts sur cinq domaines principaux afin de mesurer sa performance :

1. La performance financière;
2. Le service à la clientèle;
3. L'efficacité de l'entreprise;
4. La sécurité publique et la responsabilité sociale;
5. La qualité du milieu de travail et l'excellence des employés.

Ces domaines servent de plan directeur à l'intégration de notre mission dans nos activités quotidiennes. Même si notre succès financier a été notre « meilleur de tous les temps », nous avons également réussi à atteindre la plupart des objectifs stratégiques fixés dans les quatre autres piliers de notre plan stratégique. Ces derniers seront expliqués en détail plus loin dans ce rapport.

Now and Then

From the desk of Wayne MacDougall, CEO

This is my final annual report as Chief Executive Officer of the Prince Edward Island Liquor Control Commission as it is my intention to retire before the end of the 2008-09 fiscal year. It has been a privilege and honour to serve as CEO for 16 years of my 36-year career with the Prince Edward Island Liquor Control Commission.

Over the past 16 years as CEO of the commission, thanks to the continuous efforts of its staff, management team and Government, the Liquor Control Commission has transformed itself. These changes have taken a great deal of hard work, and I believe the facts speak for themselves.

Every aspect of the customer shopping experience from service to selection to social responsibility has improved. Guided by rigorous long-term strategic planning and utilizing private sector discipline such as benchmarking, the commission has strived to become Prince Edward Island's number one retailer.

Let's take a brief look at our "before and after" picture:

- ▶ Sixteen years ago, in fiscal 1992-93, our Gross Sales were \$52 million – and our return to the Provincial Treasury was \$22 million, a new record at that time.
- ▶ In fiscal, 2007-08, the Gross Sales were in excess of \$80 million an increase of 55 per cent over the 1992-93 record-breaking figures.
- ▶ In a nutshell, since 1992, our dividends or return to the Provincial Treasury totaled \$434,833,000 million, almost half a billion dollars.

How did this happen?

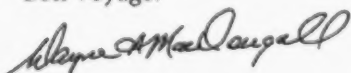
- ▶ The commission has invested in its retail stores – expansion, renovation of existing retail stores and creation of new stores to the stage where PEI is regarded by other liquor boards as a leader in this field. Industry research has shown that improved stores lead to an extended shopping experience for customers and that the longer shopping experience leads not just to satisfied customers but a much larger ticket at the checkout.
- ▶ The stores and staff provide a shopping environment second to none in this province. Modern, cozy stores, with wide aisles and great lighting provide the background, and knowledgeable and professional store staff only add to this retail experience. I am extremely proud of the stores and the people who work there and I frequently receive very positive and favourable comments about them.

- ▶ The introduction of the Annual Wine Festival, which is now in its 14th year, has enabled us to grow the wine category. I am so pleased it has developed into such a popular event and a showcase for the province, with visitors and winemakers from all over the globe attending, a statement that this is a high-class affair.
- ▶ The establishment of an additional venue for wine lovers, The Vines at Oak Tree has drawn rave reviews and helped commission staff educate customers about the world of wine. The Vines at Oak Tree is a *store within a store* concept carrying small lots of selected wines from all the top wine producing countries of the world, wines that are not on the regular price list. As you may not be aware, in many instances the commission has been allocated a limited number of cases of wine and, once sold, there is no more until the next vintage. Consumers may have tasted/sampled wines at a European or North American winery but may not have realized that those wines are not for sale to this market, perhaps only from the winery or within their own country.
- ▶ The four Atlantic liquor boards have joined together and commissioned a feasibility study to establish a warehouse for imported beveraged alcohol products in Halifax which will mean less stock-outs of foreign products. It has taken a long time in coming, but I see the light at the end of the tunnel as meetings to review the outcome of the study are scheduled to take place in July 2008. And as I have said before, I am pleased that one of our long-range projects is steadily progressing.
- ▶ Advancements in the areas of social responsibility, licensing, security, marketing, retail operations and finance are topics of great satisfaction. As the industry has grown and changed, the commission has matched it stride for stride, the most recent being the regulatory changes which have allowed the re-introduction of cans into the marketplace.
- ▶ In looking back, we at the commission have exchanged a pen and paper accounting system for a modern, totally integrated, business management system. This integrated system allows us to provide the very best service to our customers at cash, manage our inventory and provide the necessary reports to maximize efficiencies in our supply chain.

My years at the Liquor Control Commission have been very satisfying – both professionally and personally. I have thoroughly enjoyed being a part of the beverage alcohol industry as well as a member of the Canadian Association of Liquor Jurisdictions. I have been very fortunate to work with many interesting and dedicated people within the industry as well as at the commission itself. I eagerly look forward to the challenges this next opportunity may bring for me and I thank everyone at the commission for their part in making my 36 years so rewarding. I wish them, and my successor, all the best in their future endeavours.

As my journey with the commission comes to an end, I am confident the commission is in far greater shape now than at any time in the past.

Bon Voyage!



Wayne A. MacDougall
Chief Executive Officer

Operational Review

2007-2008 Year in Review

The Prince Edward Island Liquor Control Commission's Strategic Plan continued to guide activities through fiscal 2007-2008. Progress on strategic objectives is supported by annual business plans that set priorities for actions to meet objectives and timelines for their completion. The following is an overview of our performance throughout the year in each of the five strategic objectives.

□ Goal 1 *Financial Performance*

Goal

To maximize net income within the policy guidelines established by the Provincial Government.

Objectives

1. Achieve or exceed planned monetary transfer to the Provincial Government.
2. Achieve or exceed net income targets.
3. Increase traffic through liquor stores.

| | Actual 2006-2007 | Budget 2007-2008 | Actual 2007-2008 | Percentage of 2007-2008 Budget | Budget 2008-2009 |
|---|-----------------------------|-----------------------------|-----------------------------|---|-----------------------------|
| Customers Served | 2,536,338 | 2,582,396 | 2,644,183 | 102.4% | 2,683,846 |
| Total Sales | \$76,232,645 | \$77,661,317 | \$80,964,604 | 104.3% | \$81,491,824 |
| Gross Profit | \$22,497,876 | \$22,653,258 | \$23,848,016 | 105.3% | \$24,219,897 |
| Operating Expenses | \$11,420,721 | \$12,233,449 | \$12,061,196 | 99.2% | \$12,978,188 |
| Net Income | \$13,017,277 | \$11,551,385 | \$13,596,900 | 117.7% | \$12,487,467 |
| Monetary Transfers | \$32,087,903 | \$30,816,828 | \$33,930,474 | 110.1% | \$33,015,898 |
| Total Expenditures Percentage of Sales | 15.0% | 15.8% | 14.9% | | 15.9% |

| Volumes by Litre | Actual 2006-2007 | Budget 2007-2008 | Actual 2007-2008 | Percentage of 2007-2008 Budget | Budget 2008-2009 |
|-------------------------|-----------------------------|-----------------------------|-----------------------------|---|-----------------------------|
| Beer | 8,663,497 | 8,706,814 | 8,854,797 | 101.7% | 8,980,602 |
| Draught | 510,736 | 524,533 | 592,504 | 113.0% | 546,066 |
| Spirits | 792,975 | 801,733 | 812,093 | 101.3% | 823,243 |
| Wine (including BYO) | 991,672 | 1,053,409 | 1,101,302 | 106.7% | 1,116,049 |
| Coolers | 443,609 | 452,295 | 455,181 | 100.6% | 461,630 |
| Total Volume | 11,402,489 | 11,538,784 | 11,815,877 | 102.4% | 11,927,590 |

Performance Highlights

The PEI Liquor Control Commission delivered both an increased net profit and an increased transfer to the Provincial Government in fiscal 2007-2008.

For the fiscal year ended March 31, 2008, gross sales were \$80,964,604 which is an increase of \$4,731,959 over the previous year. This is due to increased traffic through commission stores and Sunday openings.

Net profit for the year, plus health and sales taxes, totaled \$33,930,474. This is an increase over the 2006-2007 contribution to the province by \$1,842,571 and represents our best year ever in terms of yearly transfers to the Provincial Treasury.

The commission's business is international in scope with approximately \$32.5 million spent on the purchase of beveraged alcohol. Gross margins have decreased by 0.5 per cent due to the increase in fuel and transportation costs.

In 2007-2008, the commission served 2,644,183 customers, an increase of 107,845. This increase is mainly a result of Sunday openings at selected commission stores from Victoria Day weekend to the Sunday before Christmas.

The commission experienced growth of between two and three per cent in all categories, with the exception of the wine category which grew at a rate of over 11 per cent. This growth is attributable to a strong tourist season, the opening of The Vines at Oak Tree and the introduction of Sunday openings to commission stores. The exceptional wine category continues to show significant growth as customers expand their knowledge and taste for wines.

Figure A - Sources of Revenue

Fiscal Year 2008

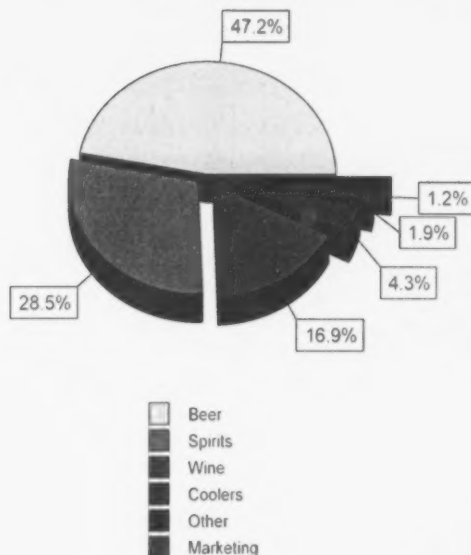
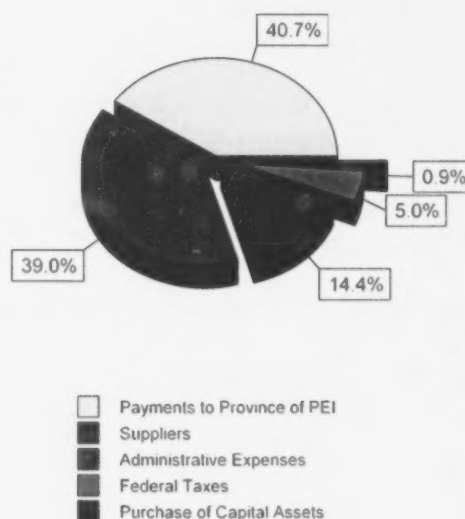


Figure B - Application of Revenue

Fiscal Year 2008



□ Goal 2 Customer Service

Goal

To understand the needs of our customers so that we can provide quality products and services that are delivered by knowledgeable, courteous employees in attractive and accessible facilities.

Objectives

1. Enhance the shopping experience for PEILCC wholesale and retail customers.
2. Provide store upgrades.
3. Provide enhanced customer services.
4. Improve product portfolio.

| | Actual 2006-2007 | Target 2007-2008 | Actual 2007-2008 | Percentage of 2007-2008 Target | Target 2008-2009 |
|---------------------|---------------------|---------------------|---------------------|--------------------------------------|---------------------|
| Store Upgrades | 2 | 1 | 0 | 0.0% | 1 |
| Product Listings | 957 | 1,100 | 1,257 | 114.3% | 1,275 |
| Wine Festival Sales | \$146,382 | \$250,000 | \$247,857 | 99.1% | \$250,000 |

Performance Highlights

During the year the commission installed a large chilled beverage section in the Cornwall Liquor Store. However, the forecasted upgrade to the Alberton liquor store was placed on hold until all options are properly evaluated.

To ensure that the right products are in the right place at the right price, the commission continues with category analysis of each and every store in the province. This undertaking has identified brands that are successful as well as brands that are no longer appealing in the Prince Edward Island market.

During the year ended March 31, 2008, there were 57 products that were unsuccessful in achieving their sales quotas and thus they were delisted. There were 357 new listings for the year giving the commission a high of 1,257 listings, one of the highest listings per

capita in Canada. The significant increase in new listings is attributable mainly to the opening of The Vines at Oak Tree in June of 2007 which offers more choice for wine consumers who continue to pursue wines from all over the world.



The Vines at Oak Tree

The shelf space made available through the category and shelf management process will enable the commission to take in products that will appeal to Islanders and tourists and, of course, help in the commission's goal of another record transfer. In time, all of the commission's stores will have undergone the category review.

The commission continues to provide its customers with many opportunities to become more knowledgeable about the different products within its portfolio. The introduction of the *Occasions* magazine is one of the commission's newest endeavours to meet our customers' needs. This quarterly publication contains a wealth of information on food and drinks featuring recipes and new products as well as articles on local areas of interest.

Interest in the commission's wine festival has grown in leaps and bounds in recent years which is a reflection of the interest Islanders and visitors have shown the wine category in general. Sales for the 13th annual wine festival exceeded \$247,800. The wine festival is an ideal opportunity to discover new wines from the great wine-producing countries of the world and to actually talk to the makers of some of these wines in person. The wines presented at the festival offer more choice for customers and licensees, which in turn enhances the dining experience at many of the Island's fine eating establishments.



Wine tasting at the 2008 Wine Festival

☐ Goal 3 *Business Effectiveness*

Goal

To improve operating efficiencies and manage business practices in a climate of continuous change.

Objectives

1. Operate the business in the most effective and efficient manner possible.
2. Maximize the efficiency of the PEILCC liquor distribution operation.

| | Actual 2006-2007 | Target 2007-2008 | Actual 2007-2008 | Target 2008-2009 |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Distribution Centre Stock-out | 7.4% | 5.0% | 5.6% | 5.0% |
| Store Inventory Turns/Days | 25.4 | 28.0 | 27.1 | 28.0 |
| Warehouse Inventory Turns/Day | 36.5 | 35.0 | 38.9 | 37.0 |
| Store Sales per Square Foot | \$ 618.98 | \$ 630.59 | \$ 658.37 | \$ 662.65 |

Performance Highlights

At the beginning of the fiscal year ended March 31, 2008, the commission set inventory turnover goals as part of its strategic plan. These turnover ratios, based on the year ended March 31, 2007, allow the commission to measure its inventory efficiencies.

During the year the commission met and exceeded its goal for days-in-inventory at the store level. However a slight increase for days-in-inventory at the warehouse was experienced. At the store level, days-in-inventory was 27.1, an increase of 1.7 days and at the warehouse level, days-in-inventory was 38.9, an increase of 2.4 days.

The commission increased days-in-inventory to ensure customer service levels were maintained. To avoid stock-outs at the store level, more stock was inventoried in the stores and in the warehouse resulting in fewer inventory turns during the year.

In order to better serve customers, the commission continues to use warehouse stock-out reports. These reports allow better monitoring of inventory to ensure the goods are available to be shipped from the warehouse to the store, thus minimizing the number of stock-outs and increasing customer satisfaction.

Increased customer satisfaction and efficiencies can also be measured by sales per square foot. Over the past number of years, commission sales per square foot have been showing an upward trend, indicating fewer stock-outs and more products being brought to market thus increasing overall customer satisfaction.

□ Goal 4 *Public Safety and Social Responsibility*

Goal

In partnership with community groups and suppliers, we will strive to raise public and staff awareness of the responsible use of beverage alcohol.

Objectives

1. Eliminate sales to minors and intoxicated people.
2. Continue to increase the awareness and promote public awareness of issues surrounding responsible use of beverage alcohol.
3. Increase, through partnerships, the effects of the responsible use of alcohol.

| | Actual 2006-2007 | Target 2007-2008 | Actual 2007-2008 | Percentage of 2007-2008 Target | Target 2008-2009 |
|-------------|---------------------|---------------------|---------------------|--------------------------------------|---------------------|
| ID Checks | 59,864 | 60,000 | 60,356 | 100.6% | 57,700 |
| Inspections | 6,624 | 5,300 | 5,941 | 112.1% | 5,300 |

Performance Highlights

The PEI Liquor Control Commission continues to promote the responsible use of alcohol through various awareness programs. In fiscal 2007-2008, initiatives included *Be Prepared to Talk to Your Children About Drinking* brochure, online booklet and radio ad, new video for the Responsible Beverage Service course – *It's Our Business*, exhibitor at Women's Expo Living Well, PEILCC moderation poster, Check 25 ID Program, HOST booklet, Date Rape/Club Drug Awareness Program article for the PEI Crime Stoppers annual awareness guide and various Don't Drink and Drive messages. During peak times such as graduation, Christmas and New Years, responsible use messages were distributed through the local media and *Occasions* magazine.

The commission participates on a number of committees such as Provincial Impaired Driving Committee, Provincial Youth Substance Abuse

and Addictions Committee and the Canadian Liquor Jurisdictions Social Responsibility Committee. Along with the above noted committees, in fiscal 2007-2008, the commission also participated in a review of the Door Staff National Occupational Standards being conducted by the Canadian Tourism Human Resource Council.

The commission strives to provide products that are socially responsible and incorporates responsible messaging into the product promotion.

The commission actively supports various groups through coin box collections in the retail outlets. In fiscal 2007-2008, groups such as Canadian Red Cross, Mothers Against Drunk Driving, Isaac Walton Killam Hospital, ALS, Parkinson's Society, Spay-Aid PEI Inc., Canadian Breast Cancer Foundation, Autism Society of

PEI, Student Life Education and PEI Rape and Sexual Assault all received benefits from this activity.

Optimal compliance to the *Liquor Control Act*, Regulations and Policies is a primary objective of the commission. Store staff check and verify the age of customers and refuse minors or intoxicated persons. In 2007-2008 the store staff checked 60,997 people suspected of being underage, intoxicated or with no ID and turned away 3,134.

Inspection staff performed 5,941 compliance inspections which was 641 above the target for the fiscal year.

During the 2007-2008 year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support.

The commission partnered with a number of outside agencies in shared activities including:

- Participated in the ongoing development of information packages on responsible use and service on a national basis as an active member of the CALJ (Canadian Association of Liquor Jurisdictions) Social Responsibility Committee.
- Assisted in sending PEI SADD (Students Against Drinking and Driving) representatives to the national CYAID (Canadian Youth Against Impaired Driving) conference.
- Continued, in affiliation with the Canadian Culinary Institute, to provide the mandatory server program *It's Our Business* which is an awareness program for staff of licensed premises.

- Raised monies for Isaac Walton Killam Hospital, United Way Campaign, Queen Elizabeth Hospital, Parkinson Society, ALS Society of PEI (Lou Gehrig's Disease), CURE Foundation, Canadian Diabetes Association and Easter Seals Campaign through weekly staff dress-down days raising a total of over \$6,600.
- In addition, the Wine Festival auction raised over \$4,800 for the Island Hospice.



2008 Wine Festival – Auction Table



Kensington

□ Goal 5 *Workplace Quality and Employee Excellence*

Goal

Build a customer-focused, high-performance work environment that results in greater employee involvement, development, innovation and creativity.

Objectives

1. Enhance staff skills through employee training programs.
2. Continue to develop a customer-focused workplace.
3. Provide a safe, healthy and harassment-free workplace.

| | Actual 2006-2007 | Target 2007-2008 | Actual 2007-2008 | Percentage of 2007-2008 Target | Target 2008-2009 |
|---------------------------|---------------------|---------------------|---------------------|--------------------------------------|---------------------|
| Product Knowledge | 184 | 140 | 132 | 94.3% | 140 |
| Workplace Safety Training | 200 | 100 | 74 | 74.0% | 100 |
| Staff Development | 8 | 125 | 148 | 118.4% | 100 |

Performance Highlights

Training is offered to commission employees on an ongoing basis. The product knowledge course, offered in conjunction with the Liquor Control Board of Ontario (LCBO) continues to be available to all staff. Requests to participate in this course increase with each passing year, especially the higher levels (II and III) of the course as staff strive to expand their product knowledge.

The commission is very aware of the need for continuous staff development and therefore offers seminars relating to specific product knowledge throughout the year. During the fiscal year 2007-2008, industry experts from across the country visited the Island and staged seminars in conjunction with the Culinary Institute of Canada.

With efforts to touch upon all categories within the beverage alcohol industry, the commission

brought in an expert in the whisky field. This expert shared his vast knowledge and experience on all aspects of whisky: Canadian whisky, bourbon, single malt scotch whisky, blends, etc., as well as the many and varied uses of whisky, an aspect of the category that sometimes goes unnoticed. The expert also shared with commission staff the fact that whisky is not often thought of as a component used in the dining world, but its use is becoming more and more noticeable in the culinary world.

During fiscal 2007-2008, the Island's first distillery opened in Rollo Bay and produces such products as Strait Shine, Strait Gin, Strait Vodka and Strait Lightning. The Myraid View Artisan Distillery is a modern, compact distillery which has drawn visitors from throughout the region interested in these Island products and unique distilling operation.

During the year, commission staff were treated to a tour of this new facility where they experienced the distillery process.

Again in fiscal 2007-2008, commission staff were treated to another wonderful learning experience as they visited the Rossignol Estate Winery located in Little Sands. The experience began with a working, walking tour of the vineyards learning about the various grape varieties which can be grown successfully in this region of the country. Aside from the grape varieties, Rossignol Winery is recognized for its excellent fruit wines, a niche market in which this winery has been able to gain a strong following both with Islanders and tourists.

Commission staff experienced each stage of the wine-making process from the collecting of the grapes and fruit, through to the end product of labeling, packaging and distribution to the commission store system.

In addition to the seminars and the tours of facilities in the region like wineries, distilleries and breweries, the PEILCC has partnered with E & J Gallo Winery Ltd. This partnership has allowed commission staff to expand their knowledge beyond the LCBO product knowledge levels I, II and III. A number of Island store representatives have taken advantage of this more advanced course offered by the wine giant E & J Gallo Winery Ltd. through the Internet.

These opportunities and seminars are valuable tools in educating and informing staff about trending products, regions and sectors in a constantly evolving retail environment.



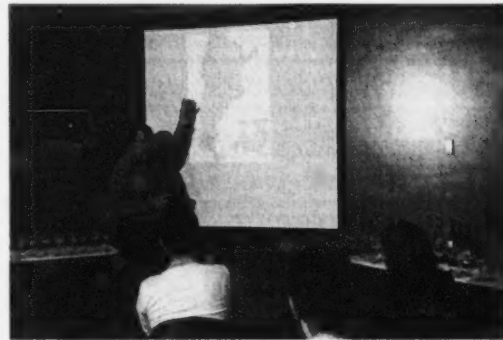
Rossignol Estate Winery Booth at the Wine Festival

The LCC focuses on the need for continuous safety in the workplace, both for its employees and its customers. To that end, staff are encouraged to attend First Aid and CPR training provided on an annual basis. During this fiscal year, training was also provided in areas such as forklift safety and fire safety. Retail store managers attended a risk management seminar which reviewed current risk management strategies with the goal of minimizing risk and controlling losses. In August 2007 the Provincial Government implemented a Violence in the Workplace Policy which is intended to protect the health and safety and minimize risk to workers. This policy formalized processes which the LCC had already been following.

The area of staff development has experienced a massive growth this year. Of the total number of learning experiences in this area, 52 per cent have been as a result of opportunities provided by Ceridian Canada Ltd., a company which provides training related professional development. Of particular note, this company's Aspiring Managers program has generated a great deal of interest among employees at the supervisory level as well as some employees hoping to move into supervisory positions. In addition to that, employees have also participated in UPEI's Management Skills Program as well as various other university level business courses. Completion of a program of study in a business-related field at a post-secondary institution is now a requirement for individuals interested in management positions. The Province's Development and Training Fund continues to provide financial assistance to employees as they pursue advanced training opportunities.

Employees have attended seminars such as: Orientation for New Employees, Delivering Outstanding Customer Service, Dealing with Difficult Situations, French Language Training and Responsible Beverage Service.

Employees at the management level have participated in sessions relating to absenteeism, misconduct and discipline, duty to accommodate and payroll issues.



Seminar on Wines from Argentina



Queen Street, Charlottetown

Opportunities and Challenges Ahead

Looking ahead, the commission has identified a number of opportunities and challenges.

Over the past several years, the commission has strived to meet the expectations of an increasingly diverse and discerning customer base. New stores and renovations incorporating customer-friendly designs have resulted in improvements in how we market our products. We will also need to invest both human and financial resources to fulfil our 2008-2011 strategic plan.

Meeting future needs requires a capital plan involving investment in technology and retail stores. To provide the necessary funds for these investments, the commission has a monetary transfer goal of \$33 million to the Provincial Government for the 2008-2009 fiscal year.

As the result of changes to the *Retail Business Holidays Act* and the *Liquor Control Act*, the commission, along with all other businesses, continues to have the opportunity to open retail outlets on Sundays during the period May to December. The continuation of Sunday shopping will aid the commission in reaching its monetary transfer goal and achieving financial targets.

During the fiscal year 2006-2007, the Province of PEI announced that the sale of canned beer would be making a return to the Island. With the introduction of the *Beverage Container Act* early in fiscal 2008-2009, Government introduced the new Prince Edward Island Beverage Container Management System. Under this new system, all beverage containers (except dairy) will be subject to a deposit and return program and these can only be returned to one of the 12 licensed Container Recycling Depots located within the province. With these changes in place, the commission will re-introduce canned beer into the marketplace which will allow the commission to offer a greater selection of imported beers and expand the commission's product portfolio. As well, the new Container Recycling Depots will replace the PEILCC's current bottle return system for empty wine and spirit bottles which has been in place since 1992.

A key challenge exists in the area of human resources. As employees retire and new retail facilities and technology create new needs, we are challenged to constantly examine how we deploy human resources. We must also ensure that we have the resources to provide ongoing training and support for new and existing staff requiring new skills to enhance both productivity and job satisfaction.

The commission is pleased to be continuing its partnership with E & J Gallo Winery Ltd. in a product-knowledge venture for all interested commission employees anxious in advancing their knowledge of wines. E & J Gallo Winery Ltd. is a major player in the world wine stage and their expertise is sure to pay big dividends for both the commission and its employees in the years to come.

Along with the aforementioned product knowledge course, the commission is pursuing sommelier training for selected staff members interested in advancing their knowledge of wines. The concept of having a sommelier on staff will further advance customer service for a growing number of consumers interested in wines.

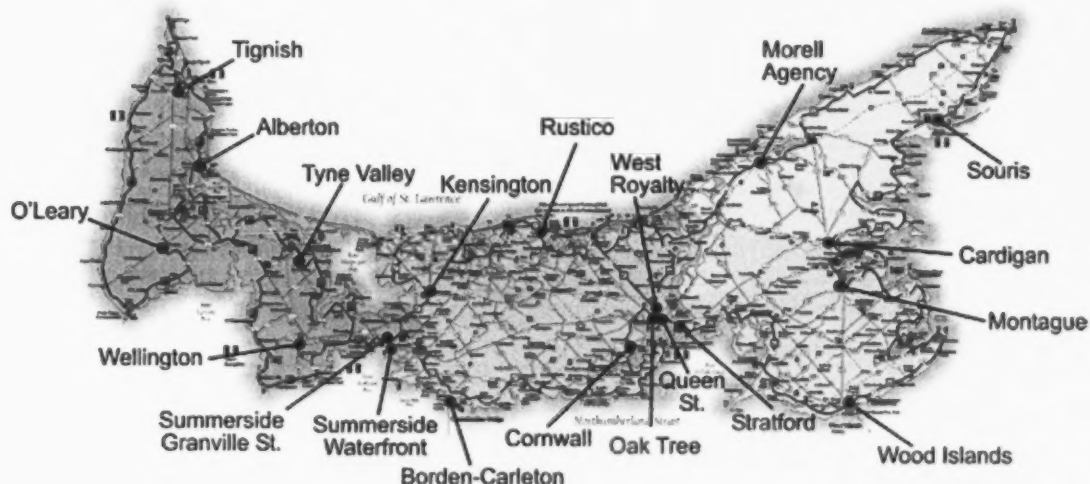
The commission's commitment to social responsibility presents ongoing opportunities to get the message of responsible drinking and public safety out to a wide range of audiences.

Underlying all of these challenges and opportunities is our vision of excellence in management. By being prepared to capitalize on new opportunities in the marketplace and continuing to integrate and streamline our operations, we believe we are building an organization that is internally more efficient and publicly more accountable.



*ID check by an employee at the
Summerside Waterfront store*

Prince Edward Island Liquor Control Commission Retail Liquor Outlets



| Location | Manager |
|-----------------|----------------------|
| Alberton | Eric Quigley |
| Borden-Carleton | Susan Harvey |
| Cardigan | Anita O'Connor |
| Cornwall | William MacMillan |
| Kensington | Terry Lynn MacKenzie |
| Montague | Anita O'Connor |
| Morell Agency | Mary Jane Webster |
| North Rustico | Terry Lynn MacKenzie |
| Oak Tree | John Abbott |
| O'Leary | Karen MacDonald |

| Location | Manager |
|-----------------------------|--------------------|
| Queen Street | Ernest Fitzpatrick |
| Souris | Paul Deveau |
| Stratford | Cindy Judson |
| Summerside Granville Street | Ronald Yeo |
| Summerside Waterfront | Barb Simpson |
| Tignish | Sandra Hawley |
| Tyne Valley | Clarence Richard |
| Wellington | Clarence Richard |
| West Royalty | Alan Crane |
| Wood Islands | Anita O'Connor |

Retail Sales by Stores 2007/2008

| Retail Store | Year Ended March 31, 2008 | Year Ended March 31, 2007 | Increase (Decrease) |
|--|------------------------------|------------------------------|------------------------|
| Alberton | \$ 1,436,953 | \$ 1,466,118 | \$ (29,165) |
| Borden-Carleton | 1,511,846 | 1,435,936 | 75,910 |
| Cardigan | 1,970,775 | 1,945,805 | 24,970 |
| Charlottetown – Oak Tree Place | 13,378,229 | 13,341,466 | 36,763 |
| Charlottetown – Queen Street | 2,883,010 | 2,892,827 | (9,817) |
| Cornwall | 4,122,765 | 4,006,430 | 116,335 |
| Kensington | 3,040,924 | 3,024,122 | 16,802 |
| Licensee Distribution Centre | 6,535,104 | 6,386,483 | 148,621 |
| Montague | 4,186,263 | 3,974,555 | 211,708 |
| North Rustico | 3,062,062 | 2,947,949 | 114,113 |
| O'Leary | 1,639,579 | 1,547,192 | 92,387 |
| Souris | 2,531,293 | 2,372,098 | 159,195 |
| Summerside – Granville Street * | 6,753,655 | 7,253,014 | (499,359) |
| Summerside – Waterfront * | 4,822,280 | 4,536,157 | 286,123 |
| Stratford | 6,700,652 | 6,413,476 | 287,176 |
| Tignish | 2,206,543 | 2,055,887 | 150,656 |
| Tyne Valley | 982,778 | 982,317 | 461 |
| Wellington | 1,159,048 | 1,111,682 | 47,366 |
| West Royalty * (formerly Charlottetown Mall) | 10,979,452 | 7,729,099 | 3,250,353 |
| Wood Islands | 543,123 | 523,450 | 19,673 |
| Warehouse | 518,270 | 286,582 | 231,688 |
| Total | \$ 80,964,604 | \$ 76,232,645 | \$ 4,731,959 |

* Shift in the Agency Store and Licensee's point of purchase

Summary of Profit and Expense Ratios Three-year Comparison

(in 000s)

| | 2008 | 2007 | 2006 |
|--|-----------|-----------|-----------|
| Sales | \$ 80,964 | \$ 76,233 | \$ 74,008 |
| Gross Profit | \$ 23,848 | \$ 22,498 | \$ 21,342 |
| Net Profit | \$ 13,597 | \$ 13,017 | \$ 12,070 |
| General and Administrative Expenses | \$ 12,061 | \$ 11,421 | \$ 11,011 |
| Gross Profit as Percentage of Sales | 29.5% | 29.5% | 28.6% |
| Net Profit as Percentage of Sales | 16.8% | 17.1% | 16.3% |
| General and Administrative Expenses as a Percentage of Sales | 14.9% | 15.0% | 14.9% |

Table A – Spirit Sales Volumes (litres) by Product Type

| Year | 2008 | 2007 | 2006 |
|---------------|----------------|----------------|----------------|
| Rum | 281,557 | 290,142 | 291,235 |
| Vodka | 197,394 | 184,140 | 179,021 |
| Whisky | 160,017 | 159,251 | 161,012 |
| Liqueurs | 64,105 | 55,375 | 50,120 |
| Premix | 52,148 | 52,330 | 54,834 |
| Scotch | 21,372 | 20,918 | 20,143 |
| Gin | 17,429 | 16,547 | 15,875 |
| Brandy | 5,066 | 5,288 | 5,378 |
| Tequila | 4,415 | 4,022 | 3,597 |
| Bourbon | 3,546 | 3,341 | 3,281 |
| Miscellaneous | 5,044 | 1,621 | 1,218 |
| Total | 812,093 | 792,975 | 785,714 |

Table B – Wine Sales Volumes (litres) by Product Type

| Year | 2008 | 2007 | 2006 |
|---------------|------------------|----------------|----------------|
| White | 550,579 | 511,001 | 482,111 |
| Red | 445,764 | 380,684 | 344,790 |
| Fruit | 41,335 | 42,122 | 40,352 |
| Sherry | 16,544 | 17,310 | 20,225 |
| Rose | 19,972 | 17,484 | 17,520 |
| Dessert | 9,898 | 10,098 | 9,930 |
| Port | 4,693 | 4,340 | 3,958 |
| Vermouth | 2,754 | 2,917 | 3,279 |
| Miscellaneous | 9,763 | 5,716 | 2,455 |
| Total | 1,101,302 | 991,672 | 924,620 |

Table C – Beer Sales Volumes (litres) by Product Type

| Year | 2008 | 2007 | 2006 |
|--------------|------------------|------------------|------------------|
| Packaged | 8,854,797 | 8,663,497 | 8,673,690 |
| Draught | 592,504 | 510,736 | 460,137 |
| Total | 9,447,301 | 9,174,233 | 9,133,827 |

Table D – Cooler Sales Volumes (litres) by Product Type

| Year | 2008 | 2007 | 2006 |
|----------------|----------------|----------------|----------------|
| Spirit Coolers | 429,801 | 412,796 | 372,321 |
| Wine Coolers | 25,380 | 30,813 | 35,232 |
| Total | 455,181 | 443,609 | 407,553 |

Table E – 2008 Public vs Licensee Sales by Category

| | 2008 | | | 2007 | | |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Public | Licensee | Total | Public | Licensee | Total |
| Beer | \$31,310,435 | \$7,992,157 | \$39,302,592 | \$29,903,007 | \$7,910,584 | \$37,813,591 |
| Spirits | 21,634,993 | 2,398,702 | 24,033,695 | 20,530,365 | 2,331,160 | 22,861,525 |
| Wine | 11,876,728 | 2,140,326 | 14,017,054 | 10,253,293 | 1,923,352 | 12,176,645 |
| Coolers | 2,927,488 | 657,592 | 3,585,080 | 2,727,365 | 596,863 | 3,324,228 |
| Total | \$67,749,644 | \$13,188,777 | \$80,938,421 | \$63,414,030 | \$12,761,959 | \$76,175,989 |

Table F – 2008 Public vs Licensee Sales Volumes (litres) by Category

| | 2008 | | | 2007 | | |
|--------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Public | Licensee | Total | Public | Licensee | Total |
| Beer | 7,302,481 | 2,144,820 | 9,447,301 | 7,043,828 | 2,130,405 | 9,174,233 |
| Spirits | 718,641 | 93,452 | 812,093 | 702,461 | 90,514 | 792,975 |
| Wine | 907,898 | 193,404 | 1,101,302 | 809,686 | 181,986 | 991,672 |
| Coolers | 366,274 | 88,907 | 455,181 | 357,815 | 85,794 | 443,609 |
| Total | 9,295,294 | 2,520,583 | 11,815,877 | 8,913,790 | 2,488,699 | 11,402,489 |

Total Licences and Special Permits

March 31, 2007 and March 31, 2008

| Licence Type | Year Ended March 31, 2008 | Year Ended March 31, 2007 |
|---------------------------------|------------------------------|------------------------------|
| Dining Room | 189 | 188 |
| Lounge | 88 | 85 |
| Club | 63 | 66 |
| Military Canteen | 22 | 23 |
| Special Premise | 57 | 56 |
| Caterer | 21 | 21 |
| Agency Store | 1 | 1 |
| Winery | 1 | 1 |
| Micro-Brewery | 1 | 1 |
| Tourist Home | 5 | 6 |
| Distillery | 1 | 0 |
| Total Licences in Effect | 449 | 448 |

In fiscal year 2007-2008, the Licensing and Security Department issued 48 new licences and 47 licences were either not renewed or surrendered.

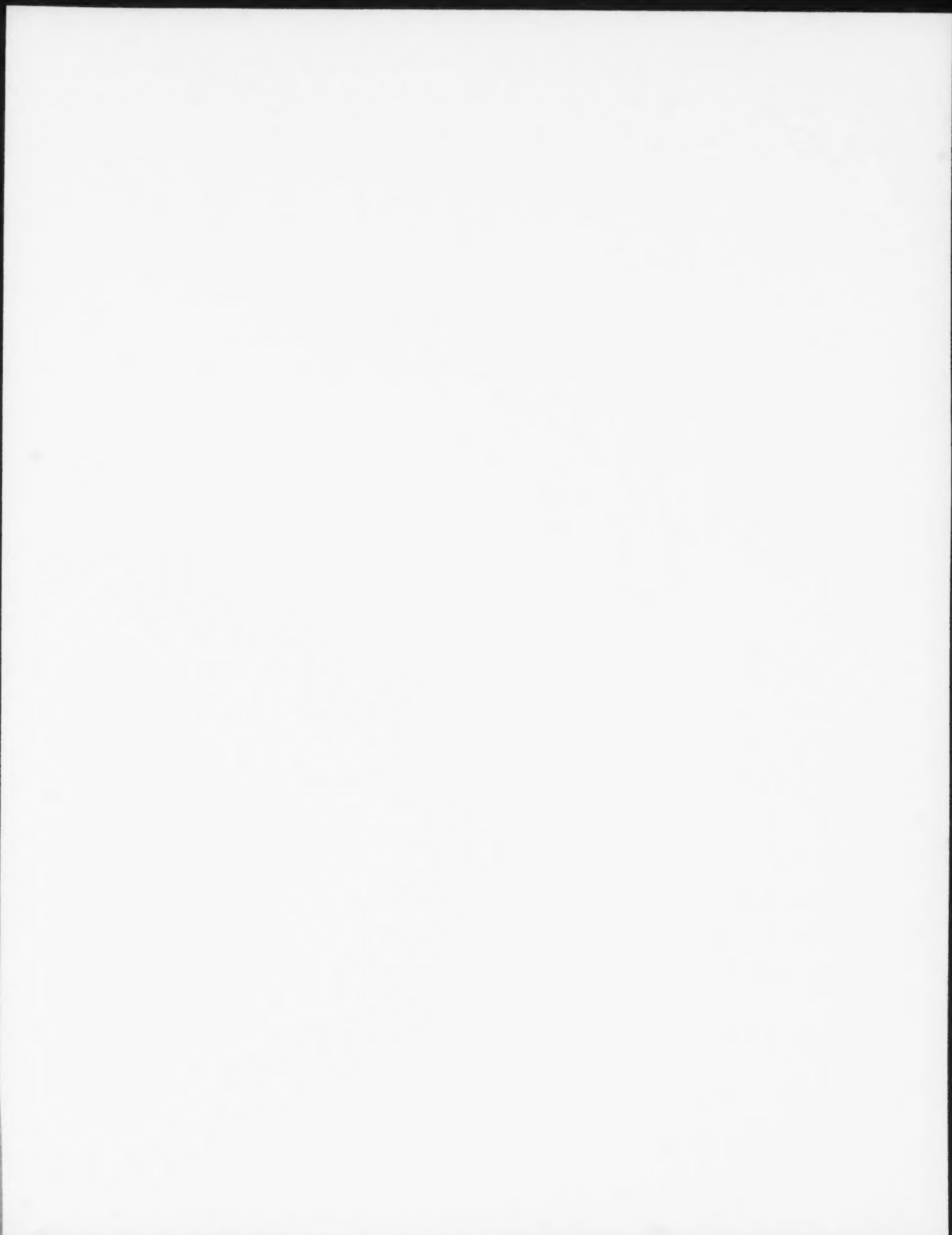
| Special Permits Issued | Year Ended March 31, 2008 | Year Ended March 31, 2007 |
|------------------------|------------------------------|------------------------------|
| Class I | 93 | 76 |
| Class II | 247 | 234 |
| Total | 340 | 310 |

A Class I permit entitles host to give beverages to guests.

A Class II permit entitles host to sell beverages to guests.

Appendix

*Auditor's Report
and
Audited Financial Statements*



PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2008

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

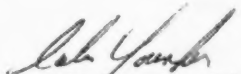
AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2008 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
May 12, 2008

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2008

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 2,183,830 | \$ 2,016,549 |
| Accounts receivable | 435,599 | 309,228 |
| Inventory | 4,020,780 | 2,995,083 |
| Prepaid expenses | 89,171 | 117,246 |
| | <u>6,729,380</u> | <u>5,438,106</u> |
| Capital assets - Note 2 | <u>4,612,890</u> | <u>4,631,759</u> |
| | <u>\$11,342,270</u> | <u>\$10,069,865</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accruals - General - Note 3 | \$ 1,787,038 | \$ 985,927 |
| - Province of PEI | 71,133 | 62,506 |
| Debentures payable - current portion - Note 4 | 1,006,288 | 807,908 |
| Due to the Province of PEI - net income | <u>4,151,480</u> | <u>3,975,404</u> |
| | <u>7,015,939</u> | <u>5,831,745</u> |
| LONG TERM LIABILITIES | | |
| Debentures payable - Note 4 | <u>4,326,331</u> | <u>4,238,120</u> |
| | <u>\$11,342,270</u> | <u>\$10,069,865</u> |

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER:

COMMISSIONER:

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2008

| | | <u>2008</u> | <u>2007</u> |
|---|------------------|---------------------|---------------------|
| SALES | | \$80,964,604 | \$76,232,645 |
| Less: Provincial Health Tax | \$14,173,913 | \$13,293,330 | |
| Provincial Sales Tax | 6,159,661 | 5,777,296 | |
| Federal Goods & Services Tax | <u>4,207,049</u> | <u>24,540,623</u> | <u>4,160,394</u> |
| | | | <u>23,231,020</u> |
| NET SALES | | 56,423,981 | 53,001,625 |
| COST OF GOODS SOLD | | <u>32,575,965</u> | <u>30,503,749</u> |
| GROSS PROFIT | | 23,848,016 | 22,497,876 |
| EXPENSES | | | |
| Amortization | 764,564 | 863,324 | |
| Insurance and taxes | 161,635 | 179,827 | |
| Interest on long-term debt | 298,612 | 280,315 | |
| Leases - Note 3 | 777,646 | 798,210 | |
| Other operating expenses | 980,754 | 846,143 | |
| Repairs and maintenance | 545,049 | 538,041 | |
| Salaries and benefits - Note 5 | 7,385,064 | 6,802,585 | |
| Store and office expenses | 316,882 | 326,718 | |
| Travel | 128,165 | 113,442 | |
| Utilities | <u>702,825</u> | <u>12,061,196</u> | <u>672,116</u> |
| | | 11,786,820 | 11,077,155 |
| OTHER INCOME | | <u>1,810,080</u> | <u>1,940,122</u> |
| NET INCOME | | <u>\$13,596,900</u> | <u>\$13,017,277</u> |

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Cash provided by (used for): | | |
| OPERATING ACTIVITIES | | |
| Net income for the year | \$13,596,900 | \$13,017,277 |
| Amounts charged against income not requiring an outlay of cash: | | |
| Amortization | 764,564 | 863,324 |
| Loss on disposal of capital assets | <u>-</u> | <u>3,384</u> |
| | 14,361,464 | 13,883,985 |
| Changes in non-cash working capital: | | |
| (Increase) Decrease in accounts receivable | (126,371) | (74,551) |
| (Increase) Decrease in inventories | (1,025,697) | (466,674) |
| (Increase) Decrease in prepaid expenses | 28,075 | (41,791) |
| Increase (Decrease) in accounts payable | <u>809,738</u> | <u>60,696</u> |
| Net cash provided by operating activities | <u>14,047,209</u> | <u>13,361,665</u> |
| FINANCING ACTIVITIES | | |
| Cash payments to Provincial Treasury | (13,420,824) | (11,002,279) |
| Loans from Province | 1,094,500 | 1,295,000 |
| Debenture repayment | <u>(807,908)</u> | <u>(732,802)</u> |
| Net cash used for financing activities | <u>(13,134,232)</u> | <u>(10,440,081)</u> |
| INVESTING ACTIVITIES | | |
| Acquisition of capital assets | <u>(745,696)</u> | <u>(1,652,001)</u> |
| Increase in cash | 167,281 | 1,269,583 |
| Cash at beginning of year | <u>2,016,549</u> | <u>746,966</u> |
| Cash at end of year | <u>\$ 2,183,830</u> | <u>\$ 2,016,549</u> |

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

1. Summary of significant accounting policies

(a) **Capital Assets**

Capital assets are stated at cost less accumulated amortization. Amortization of buildings, furniture and equipment and leasehold improvements are calculated on a straight-line basis at the rates indicated in Note 2.

(b) **Inventory**

Inventory is valued at the lower of first-in, first-out cost and net realizable value. Inventory cost includes the purchase cost and related freight, duty and excise taxes.

(c) **Net Income**

All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

2. Capital Assets

| | | <u>2008</u> | | <u>2007</u> | |
|---------------------------------|------------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Amortization Rate</u> | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Land | | \$ 85,537 | \$ - | \$ 85,537 | \$ 85,537 |
| Buildings | 5% | 5,280,756 | 3,208,424 | 2,072,332 | 2,181,809 |
| Equipment | 10 & 20% | 1,669,734 | 1,347,775 | 321,959 | 227,194 |
| Vehicles | 30% | 100,850 | 100,850 | - | - |
| Leasehold Improvements | 10% | 4,907,125 | 3,190,554 | 1,716,571 | 1,982,465 |
| Financial Information System | 20 & 100% | 2,437,160 | 2,020,669 | 416,491 | 154,754 |
| | | <u>\$14,481,162</u> | <u>\$9,868,272</u> | <u>\$4,612,890</u> | <u>\$4,631,759</u> |

3. Contractual Obligations

The Prince Edward Island Liquor Control Commission leases various pieces of computer hardware and software as well as 13 retail outlets. Future minimum lease payments are as follows:

| <u>Fiscal Years</u> | <u>Amount</u> |
|---------------------|--------------------|
| 2009 | \$ 703,715 |
| 2010 | 630,622 |
| 2011 | 628,127 |
| 2012 | 628,127 |
| 2013 | 628,127 |
| 2014-2018 | <u>1,564,184</u> |
| | <u>\$4,782,902</u> |

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2008

3. Contractual Obligations (continued)

The Prince Edward Island Liquor Control Commission are in the process of implementing a new point of sale system. They have signed a project charter for work to be completed during 2008 to a value of \$820,215. Of this amount, \$245,427 is included in accounts payable, leaving a net contractual obligation of \$574,788.

4. Debentures Payable - Province of Prince Edward Island

| | <u>Balance</u> <u>March 31, 2008</u> | <u>Less Current</u> <u>Portion</u> | <u>Long-Term</u> <u>Liability</u> |
|---|---|---------------------------------------|--------------------------------------|
| <u>Kensington</u> Repayable in equal annual installments of \$49,143 including interest @ 6.70% per annum, maturing November 8, 2009. | \$ 89,223 | \$ 43,165 | \$ 46,058 |
| <u>North Rustico</u> Repayable in equal annual installments of \$38,936 including interest @ 6.79% per annum, maturing March 24, 2010. | 70,602 | 34,142 | 36,460 |
| <u>Charlottetown (Oak Tree)</u> Repayable in equal annual installments of \$197,398 including interest @ 6.79% per annum, maturing March 24, 2010. | 357,941 | 173,094 | 184,847 |
| <u>Cardigan</u> Repayable in equal annual installments of \$55,381 including interest @ 6.40% per annum, maturing February 16, 2011. | 146,947 | 45,977 | 100,970 |
| <u>Summerside (Waterfront)</u> Repayable in equal annual installments of \$88,042 including interest @ 6.77% per annum, maturing July 18, 2011. | 299,774 | 67,748 | 232,026 |
| <u>Financial Information System</u> Repayable in equal annual installments of \$195,599 including interest @ 6.57% per annum, maturing March 28, 2012. | 669,015 | 151,645 | 517,370 |

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2008

4. Debentures Payable - Province of Prince Edward Island (continued)

| | Balance March 31, 2008 | Less Current Portion | Long-Term Liability |
|---|---------------------------|-------------------------|------------------------|
| <u>Wood Islands</u> | | | |
| Repayable in equal annual installments of \$33,052 including interest @ 5.85% per annum, maturing November 27, 2012. | 139,795 | 24,873 | 114,922 |
| <u>Point of Sales System</u> | | | |
| Repayable in equal annual installments of \$221,583 including interest @ 4.62% per annum, maturing December 18, 2012. | 969,500 | 176,792 | 792,708 |
| <u>Charlottetown (Queen Street)</u> | | | |
| Repayable in equal annual installments of \$60,016 including interest @ 5.61% per annum, maturing August 1, 2013. | 298,768 | 43,255 | 255,513 |
| <u>Tignish</u> | | | |
| Repayable in equal annual installments of \$99,684 including interest @ 5.40% per annum, maturing January 9, 2014. | 499,558 | 72,708 | 426,850 |
| <u>Charlottetown (Head Office)</u> | | | |
| Repayable in equal annual installments of \$38,889 including interest @ 5.02% per annum, maturing March 7, 2015. | 224,864 | 27,601 | 197,263 |
| <u>Sherbrooke</u> | | | |
| Repayable in equal annual installments of \$38,493 including interest @ 4.81% per annum, maturing February 28, 2016. | 250,715 | 26,434 | 224,281 |
| <u>West Royalty</u> | | | |
| Repayable in equal annual installments of \$64,156 including interest @ 4.81% per annum, maturing August 30, 2016. | 459,894 | 42,035 | 417,859 |
| <u>Souris</u> | | | |
| Repayable in equal annual installments of \$101,660 including interest @ 4.74% per annum, maturing March 30, 2017. | 731,023 | 67,010 | 664,013 |

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2008

4. Debentures Payable - Province of Prince Edward Island (continued)

| | <u>Balance</u> <u>March 31, 2008</u> | <u>Less Current</u> <u>Portion</u> | <u>Long-Term</u> <u>Liability</u> |
|--|---|---------------------------------------|--------------------------------------|
| <u>Charlottetown (Oak Tree)</u> | | | |
| Repayable in equal annual installments of \$16,409 including interest @ 5.28% per annum, maturing June 27, 2017. | <u>125,000</u> | <u>9,809</u> | <u>115,191</u> |
| | <u>\$5,332,619</u> | <u>\$1,006,288</u> | <u>\$4,326,331</u> |

The total principal repayment for the next five years is as follows:

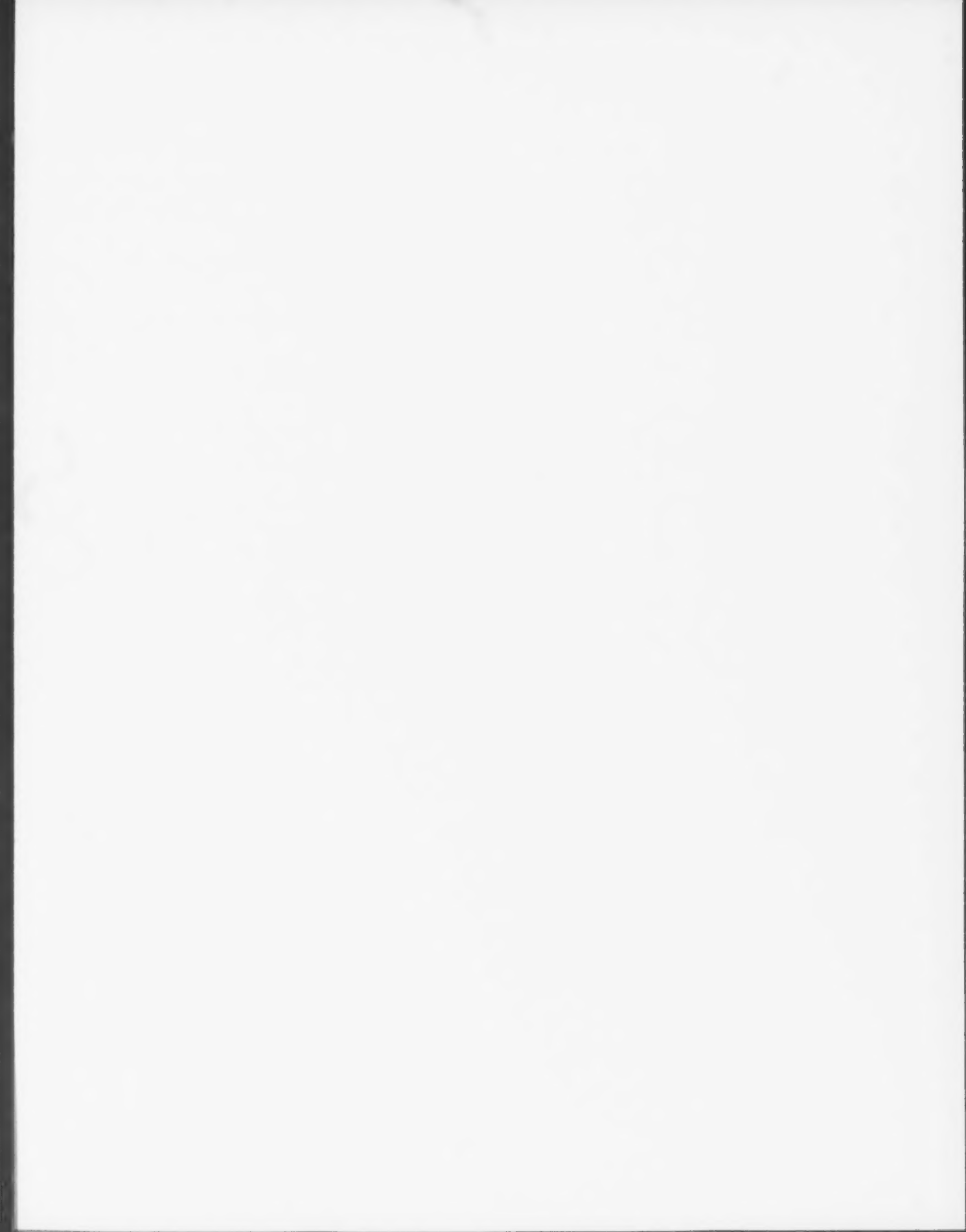
| | |
|-------|--------------------|
| 2009 | \$1,006,288 |
| 2010 | 1,065,093 |
| 2011 | 841,938 |
| 2012 | 833,275 |
| 2013 | <u>595,460</u> |
| Total | <u>\$4,342,054</u> |

5. Pension and Other Employee Benefits

Employees of the Prince Edward Island Liquor Control Commission are members of the Prince Edward Island Civil Service Superannuation Plan. Other employee benefits and the employer's share of the plan benefits plus any additional future actuarial liabilities are assumed by the Province of PEI and are not reflected in the Commission's financial statements.

6. Fair Value of Financial Instruments

The fair value of the Commission's cash, accounts receivable, accounts payable and accruals, debentures payable and due to the Province approximates their carrying amounts.





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